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News Release

FOR IMMEDIATE RELEASE
Friday, Aug. 22, 2008

6 indicted for conspiracy to defraud the IRS

Six Twin Cities residents were recently indicted in federal court in connection with a scheme to defraud the Internal Revenue Service out of more than $1 million by filing false tax returns.

The six defendants were charged Aug. 19 in Minneapolis. Douglas Earl Leiter, 40, Minneapolis, was charged with one count of conspiracy to defraud the IRS, one count of filing a false tax return and one count of aiding a false tax return. Brian Keith Scott, 42, Zimmerman, was charged with one count of conspiracy, one count of filing a false tax return and two counts of aiding a false tax return.

Charged with one count of conspiracy and two counts of aiding a false tax return are: Mark David Maxwell, 52, Minneapolis, Timothy Paul McCarthy, 62, St. Paul; and Christopher Craig Robinson, 35, Plymouth. Laurie Therese Strohbeen, 51, St. Paul, was charged with one count of conspiracy and one count of filing a false tax return.

Their indictment alleges that from June 2001 through October 2004, the six defendants knowingly and willfully conspired with each other and others to defraud the United States by impeding, impairing, obstructing and defeating the lawful functions of the IRS, particularly by impairing the collection of income taxes. It also alleges that they willfully aided in the preparation and presentation of false and fraudulent tax returns.

In June 2001, Leiter, McCarthy and Strohbeen participated in the creation of a company known as CLB-01, which did business in the name of Common Law Venue. The six defendants were involved with two entities also created in June 2001, CLC-01 and PGK-01. In September 2002, the defendants used these two entities in connection with the formation of Commercial Law Consultants, a limited liability company formed in Washington state.

The indictment alleges that the defendants engaged in various schemes designed to defraud the IRS using their own names and the names of organizations, including Common Law Venue and Commercial Law Consultants. The schemes involved, among other things, the filing of false tax returns on behalf of the defendants and others, in an effort to evade federal and state income taxes owed, to obtain fraudulent refunds of federal and state income taxes which had been withheld, and to obtain fraudulent refunds of Social Security and Medicare taxes which had been withheld.

The schemes, the indictment alleges, also involved advising and assisting others to file false tax returns to evade taxes and to obtain fraudulent refunds; creating clubs and companies in order to conceal income for the purpose of evading federal and state income taxes; and submitting a variety of false documents to the IRS and other governmental entities.

The defendants charged their clients a fee for their alleged tax evasion services, and if the scheme succeeded in obtaining a refund, the defendants also charged the client a percent of that refund.

The prepared tax returns featured a false Form 1041, in which individuals claimed they were a trust rather than filing as individuals. The individual then deducted all or nearly all of the income as a "fiduciary fee," and reported little or no taxable income and little or no taxes owed. The individual then fraudulently claimed a refund of all or nearly all of the federal income tax which had been withheld.

The indictment alleges that the defendants also prepared and advised others how to prepare and file a false Form 1040, or individual income tax return, along with a false Schedule A Itemized deductions.

Finally, the defendants created limited liability companies for clients that were purportedly owned by two or more supposedly non-profit clubs, which were controlled by the clients. Profits from the company were attributed to one or more of the clubs, and the clients then used the money from the clubs to pay for personal expenses. Also the profits were passed through to the clubs, which did not file tax returns.

The clients did not report the income received through the clubs to either the IRS or the Minnesota Department of Revenue.

If convicted, the six defendants face potential maximum penalties of five years in prison on the conspiracy count, three years on each false tax return count and three years on each aiding false tax return count. All sentences are determined by a federal district court judge.

This case is the result of an investigation by the IRS-Criminal Investigation Division and the Minnesota Department of Revenue, and is being prosecuted by Assistant U.S. Attorney Michael L. Cheever.

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An indictment is a determination by a grand jury that there is probable cause to believe that offenses have been committed by the defendant. The defendant, of course, is presumed innocent until he or she pleads guilty or is proven guilty at trial.